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Hello!

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REVIEW OF PAST EXAMS

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PASS RATES

	%
June 2008	45
December 2008	53

The results above reflect worldwide pass rates for F6. Russian students outperformed the worldwide pass rates in June 2008, but had a very disappointing performance in December 2008.

OVERALL VIEW

In general December 2008 exam shows that many candidates seemed to be unprepared for the exam comparing with June 2008 results

How candidates performed?

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I will review the performance of candidates in the exams under two headings:
exam technique and technical knowledge

TECHNICAL KNOWLEDGE

Performance has been good in some areas

- Partnerships
- Capital allowances

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There have been good performances in areas like partnerships , capital allowances and determination of resident status

What wasn't done well?

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So, turning to what was not done so well

DECEMBER 2008

Question 1 answered relatively well (weighted average 43% of total 30 marks available) BUT Question 1(a):

- failing to recognise correct proportion of variable sales in total sales and part of non-recoverable VAT to be included in the cost.
- calculation NBV under non-linear depreciation caused problems since candidates seemed to be unprepared to this due to lack of technical knowledge
- correct calculation of limited medical insurance, business entertainment and business training expenses, including penalty recognised as non-sale income

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DECEMBER 2008

Question 1 answered relatively well (weighted average 43% of total 30 marks available) BUT Question 1(b): VAT subject to recovery was not correctly calculated by many candidates (insurance and educational services were shown as vatable ones, incorrect VAT in respect to limited business entertainment expenses).

DECEMBER 2008

Questions 2 was answered relatively well (weighted average 45% of total 25 marks) BUT

Question 2:

- medical insurance for daughter, imputed int.income on mortgage loan were included into the taxable base
- general wording without answering specific requirements for this part (7 marks)

Question 3 was the worst answered question (26% out of 15):

- Part (a) (i) lack of technical knowledge- only few candidates recognised correct VAT amount subject to claw-back
- Parts a)(ii) and (iii) were well performed but were the easiest ones and not sufficient to gain at least 45% of 15 marks available

DECEMBER 2008

Question 4 (in average 39% of 15 marks)

Part a) calculation of imputed interest income on employer's loan for 5 days was based on new imputed interest income recognition rules

Part b) was calculated relatively well

Question 5 (in average 34% of 15 marks)

Part a) was usually totally omitted or only attempted to calculate, part b) was calculated in a correct manner

JUNE 2008

Questions 1, 2, & 5 all well answered with the several outstanding answers

Many candidates who did not answer question 3 well still managed to achieve a pass mark as a result of sufficient marks gained on questions 4 and 5

LESSONS LEARNED

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Cannot rely on just corporate tax and personal income tax questions 1 & 2 in order to achieve a pass mark

As regards the overall pass rate, the key question appears to be question 3 with VAT to determine if the candidate gained sufficient marks to receive pass rate.

What to focus on?

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I'll turn now to lessons learned and the ways in which you, as tuition providers, can improve the performance of your students

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COVER THE WHOLE SYLLABUS

Both part b) of Question 1 with 7 Marks and Question 3 with 15 marks on VAT are important and candidates should be more attentive to the scenario and requirements

EFFECTIVE REVISION

Learn the fundamentals in VAT i.e. just learning main rules for VAT recovery, VAT on prepayments, VAT on expenses subject to limitations for profits tax, VAT on export, claw-back VAT rules, will mean that a reasonable attempt can be made when such a question is set.

Learn the main rules for application of PIT allowances and exemptions - otherwise a lot of time will be wasted performing unnecessary calculations

How to improve?

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You can provide help at both the teaching phase and on the revision phase

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Use the 15 minute for careful reading time i.e. to avoid calculating points when there is no requirement of doing that

When running out of time some questions are easier to score quick marks on than others i.e. in December 2008 (Q3 part a) attempting parts (ii) and (iii) with the deductible/non-deductible items + PIT as a result of car transfer will come up with 6 marks vs 4 marks in part (i)

Score the easy marks i.e. for the final settlement of PIT liability show tax due to the budget, tax withheld by the employer, tax due or refund under personal tax return - 1 ½ Show profits tax rate – ½ (many candidates totally ignored this)

Question 5(b) – easy 7 marks for profits tax withholding vs 8 more difficult in part a)

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In case of lack of time for calculation, write an approach that should be undertaken – this always deserves marking.

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WORKINGS

Workings notes should be clearly referenced to the final answers of the question answered and should not be done by pencil

No need to explain everything when there is a specific requirement in the question raised

From December 2008:

Question 2 part d) - we noted that there were many scripts with one page or half a page description of everything related to Personal Income Tax but not relevant to the point

21 The same for Question 5 part b) (ii)

AND MOST IMPORTANT OF ALL

Work through exam standard questions under
exam conditions

FOCUS ON FUTURE EXAMS

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WHAT IS NEW?

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NEW CUT-OFF DATE - 30.09

None of the changes in the Laws officially
Published after 30.09.2008 will be examinable at
either the June 2009 or December 2009 sittings.

FEDERAL LAWS: 158-FZ, 121-FZ – new changes for PIT

The following will be given in the rates & allowances:

Personal and children allowances:

Standard personal allowance 400 (up to 40,000 RR)

Children allowance 1,000 (up to 280,000 RR)

Double children allowance for one parent in case of non-suit its right from other parent

Threshold interest rates for personal income tax purposes

26 Rouble bank deposits – CBR rate increased by 5%
Rouble loans – 2/3 of CBR rate

FEDERAL LAWS: 158-FZ, 121-FZ – new changes for PIT, UST

Educational expenses for employees will not be subject to PIT, UST provided that the above expenses deductible for profits tax

Reimbursement of interest on mortgage loans paid by the entity to its employees shall not be included in the tax base for PIT, UST within the limits for deductibility for profits tax purposes

FEDERAL LAW: 158-FZ changes for the profits tax

Profits tax rate – 24% will be tested in stead of new 20%

Candidates will not be penalized for using new 20% rate

Voluntary medical insurance expenses are limited to 6% of labour costs will be in the rates & allowances

Employer's reimbursement of interest on mortgage loans to employees are limited to 3% of labour costs

Educational expenses subject to certain more relaxed conditions – p.3 Article 264 of the Tax Code

Per diems – deductible without any limit

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FEDERAL LAW: 158-FZ changes for the profits tax

Non-linear depreciation (declining balance method):

- Basic calculation will be examined based on new formula
- 10% depreciation premium will be tested due to new cut-off date
- New provisions and clarifications raised in 224-FZ will not be tested (forbidding transfer > every 5 years from one method to another, etc)
- Approach in respect to vehicles purchased before 01.01.2009 – 0.5 coefficient will be tested for the relevant years before 2009

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Questions?

Thanks!

CONTACT

students@accaglobal.com

+44(0) 141.582.2000

www.accaglobal.com

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